

History of the City of Boulder's Affordable Housing Efforts

In 1990, the Community Housing Assistance Program (CHAP) replaced the Moderate Income Housing Program (MIHP) which required units be affordable for a limited timeframe of five to twenty years. To develop policies for CHAP, an Affordable Housing Task Force reviewed affordable housing programs across the country and made several important recommendations concerning the housing program:

- Future affordable housing programs require permanent affordability.
- Housing subsidy funds should be used for capital projects.
- Housing fund recipients would be required to leverage city housing subsidy funds in order to obtain other, non-city of Boulder funds for a given project.

CHAP is a subsidy program funded via an 8/10ths of a mil from the property tax and a housing excise tax of \$0.23 per new residential square foot and \$0.49 per new non-residential square foot. The underlying concept for these two funding sources was that existing residents and new growth, both residential and non-residential, should contribute to the affordable housing solutions for the community. Last year, the city undertook a review of all the city's excise taxes. The result of that review was direction from City Council to change all of the excise taxes, except for housing and transportation, to impact fees, and to look at changes to the amounts charged for both impact fees and excise taxes in order to more accurately capture the community costs related to growth.

In January 1999, City Council accepted *The Comprehensive Housing Strategy* appointing a task force to review the city's housing goals and to identify, analyze, and prioritize opportunities and funding options for increased production and acquisition of housing and other housing programs.

In 2000, City Council accepted the recommendations of the Task Force. These recommendations include a 10-year time frame for reaching the Boulder Valley Comprehensive Plan (BVCP) goal to have at least 10% of the total housing stock as permanently affordable. The Task Force recognized that the 10% goal would not fully address the demand for affordable housing, especially in light of job growth projections for Boulder and the surrounding area. However, achieving the 10% goal in 10 years was recognized as a significant, incremental step toward maintaining economic diversity in the community.

As part of its review and acceptance of the strategy, City Council also requested that staff develop multiple options for meeting the Inclusionary Zoning requirements including:

1. the provision of on-site permanently affordable units;
2. cash-in-lieu payments utilized to establish off-site affordable housing;
3. transformation of existing off-site units into permanently affordable ones; and,
4. dedication of vacant land for construction of permanently affordable units;
5. additional options for single family homeowners.

The Task Force concluded that a wide variety of actions were necessary to address the city's housing needs. A key funding mechanism, a tax for affordable housing failed at the ballot in November 2000 by a margin of 52% against & 48% in favor of the measure. It was acknowledged that without increased revenues it may not be possible to reach the 10% permanently affordable housing goal within ten years. The measure would have added an additional \$3,000,000 in affordable housing funds annually.

Over 60 possible actions that could be taken to affect the affordability of the city's housing stock were summarized in the 1999 report entitled *A Tool Kit of Housing Options*. Implementation of an Inclusionary Zoning program is one of the strategies identified in the *Tool Kit* to increase the supply of affordable housing in the community. Inclusionary Zoning is one of several tools the city uses to address affordable housing needs; it was not intended to be the only strategy used by the city for this purpose.

Both the *Comprehensive Housing Strategy* and the *Tool Kit of Housing Options* can be found on the City of Boulder Housing Division web site at: www.boulderaffordablehomes.com. Click on Planning and Policy.

Timeline of events for the Affordable Housing Program

1966

Boulder establishes the Housing Authority of the City of Boulder (aka Boulder Housing Partners). The Housing Authority becomes the primary provider of subsidized housing for low and very low income households, as well as special populations.

1975

City begins receiving Community Development Block Grant funds. These funds have been used to finance housing and community services projects for low income persons, including the homeless, seniors and persons with disabilities.

1985

City establishes the Moderate Income Housing Program (MIHP). This program generally required that 15% of the total units in a project be sold to moderate income households. Prices were not limited, only the incomes of eligible buyers. Resale restrictions remained in place for a period of 10 to 15 years, at which point the homes could be sold as market rate homes. Developers could earn "credits" by building more than the required number of MIHP, and these credits could then be sold to other developers to help meet MIHP requirements. Numerous program deficiencies led to exploration of other options that could help meet the city's affordable housing goals.

1991

The city convened a working group to develop a new, affordable housing program. The group consisted of affordable housing advocates as well as private sector developers. The result was a recommendation to City Council to discontinue the mandatory MIHP and replace it with the Community Housing Assistance Program (CHAP), a voluntary

program that would provide subsidy funds to developers of permanently affordable housing as well as to non-profits to acquire existing housing.

CHAP is a subsidy program funded via an 8/10ths of a mil from the property tax and an excise tax of \$0.23 per new residential square foot and \$0.49 per new non-residential square foot. Adoption of the CHAP included some key policies. The first important policy was that city housing subsidy funds should be used for capital projects. With limited growth, the opportunities to create new housing would also be limited, therefore the city's finite housing funds should be used to establish and protect its affordable housing well into the future. The next important policy was that when city housing subsidy funds went into a project, the result should be permanently affordable, not time limited, affordable housing. The final important policy was that housing fund recipients would be required to leverage city housing subsidy funds on a 2:1 basis.

The CHAP produces approximately \$1M per year that is used to fund housing for low income and special populations. The CHAP was also the first program designed to help private sector developers produce permanently affordable housing in the community.

1992

The city of Boulder begins to receive federal HOME funds, a block grant for affordable housing. Boulder receives approximately \$650,000 per year in HOME funds which may be used for a variety of housing projects for low and very low income households.

A new Boulder Valley Comprehensive Plan housing goal, to have 5% of the total housing stock as permanently affordable to low income households, is adopted.

1995

A review of the city's affordable housing programs demonstrated that the majority of housing subsidy fund recipients are non-profit organizations. These organizations used housing subsidy funds to rehabilitate existing affordable units, acquire market rate units and convert them to permanently affordable units as well as construct new permanently affordable units.

Growth and the impacts of growth were a growing concern. There was also concern expressed on the part of some community and city council members that this new growth exacerbated the city's affordable housing problems and that the current voluntary system was not producing the necessary amount of permanently affordable housing in new development projects. As a result, the city revised its Residential Growth Management System (RGMS) to reduce the number of annual allocations and to divide the annual allocations into three categories: market rate, permanently affordable and restricted. The permanently affordable allocations were deed restricted units for low income households and the restricted units were size restricted, owner-occupied units with initial prices set to be affordable to middle income households but with no ongoing resale or income restrictions. Projects which included at least 20% permanently affordable and 35% restricted units were able to receive the required RGMS allocations faster than those

projects that contained market rate units exclusively. The policy objective was to ensure that new residential growth helped to meet the city's affordable housing goals. This was still a voluntary system, but heavily weighted towards those projects which included the required amounts of affordable housing.

The Major Site Review process was established which gave priority consideration to residential projects that contained at least 20% permanently affordable and 35% restricted units.

1996

The city's First Home program was established. Initially, First Home was a shared equity program. The rapid increase in Boulder's housing prices led to a concern that insufficient funds would be recaptured from the shared equity proceeds to enable the city to replace units on a 1:1 basis. This led to the program being changed to a down payment grant in exchange for permanent affordability.

1997

City establishes its first cash-in-lieu option for developers of projects that were in progress at the time the new RGMS was adopted. Approximately \$1.3M was generated from this option. These funds were used for low and moderate income housing projects.

The housing policies of the Boulder Valley Comprehensive Plan were amended to reflect the city's goals for maintaining existing and integrating new affordable housing throughout the community and establishing the goal to have at least 10% of the total housing stock be permanently affordable to low and moderate income households.

1998

The city begins work on the Comprehensive Housing Strategy. The Strategy, accepted by Council in 2000, is organized around five themes: Managing density and growth; Strengthening partnerships; Holding and gaining ground on support for low and very low income households; Keeping moderate income workers in Boulder; and Helping special populations and seniors. A variety of programs and policies were recommended as part of a Comprehensive Housing Strategy which included the objective of reaching the goal to have 10% of the total housing stock as permanently affordable within 10 years.

2000

Affordable housing advocates succeeded in placing a tax for affordable housing on the 2000 ballot. The policy objective was to broaden the solutions to the affordable housing needs across the entire community. The proceeds from the tax, should it have passed, would have been used to implement the Comprehensive Housing Strategy. The ballot item failed and it was acknowledged that it would not be possible to reach the 10% permanently affordable housing goal within ten years.

The city's Housing Division establishes an Asset Management Program to ensure that the affordability requirements of all the city's affordable rental and homeownership units are met. This includes annual monitoring of permanently affordable rental units and an annual letter sent to permanently affordable homeowners to remind them of the program's requirements. The city also begins to expand its homeownership assistance program for moderate income households.

The city simultaneously amends the RGMS to remove the affordable housing components and adopts the present inclusionary zoning program. This inclusionary zoning program requires that 20% of all new residential develop be permanently affordable for low and moderate income households. The program provides options for meeting the inclusionary zoning requirement, including paying a cash-in-lieu amount for the required permanently affordable units.

Options were an important feature in the implementation success of the program. It was recognized that it might not be feasible for each and every project to include on-site permanently units. In particular, given that the majority of the remaining development is likely to occur in only a few areas of the city, the cash-in-lieu option was intended to help further distribute permanently affordable housing throughout the community. Cash-in-lieu funds are combined with other city housing subsidy funds and used to rehabilitate existing affordable units, acquire market rate units and convert them to permanently affordable units as well as construct new permanently affordable units and help make units permanently affordable to very low income households.

2007

The city forms a Regional HOME Consortium with Boulder County, the City of Longmont and the City and County of Broomfield. The Consortium has increased locally-controlled funding for affordable housing and formed collaborative partnerships to address affordable housing concerns in the region.

The Boulder County Homeownership Consortium and its sponsors support the Boulder County Housing Authority's HUD-approved Housing Counseling Program. Both the City of Boulder and the City of Longmont provide the program with financial support. Thistle Community Housing provides valuable in-kind training support through the NeighborWorks Training Institute.